

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Caledonia
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Caledonia's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$333,803 (1.2 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$485,422, while net assets of the business-type activities decreased by \$151,619.
- Of the \$27,315,433 total net assets reported, \$17,199,999 (63 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,302,608, which represents 113 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2005 and 2004 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township utilizes three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$27,315,433, an increase of 1.2 percent compared to the prior year. Of this total, \$10,208,189 is invested in capital assets and \$90,776 is restricted for various purposes. Restricted net assets related to the property tax levy for emergency services amounts to a negative \$183,531 due to the deficit in the Emergency Services Fund. Consequently, unrestricted net assets were \$17,199,999, or 63 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current assets	\$ 4,786,123	\$ 4,034,758	\$ 5,018,250	\$ 13,242,201	\$ 9,804,373	\$ 17,276,959
Noncurrent assets	2,403,350	4,322,132	29,265,536	20,298,284	31,668,886	24,620,416
Total assets	7,189,473	8,356,890	34,283,786	33,540,485	41,473,259	41,897,375
Current liabilities	1,344,275	1,364,350	907,973	1,006,291	2,252,248	2,370,641
Noncurrent liabilities	19,381	681,301	12,220,000	11,530,000	12,239,381	12,211,301
Total liabilities	1,363,656	2,045,651	13,127,973	12,536,291	14,491,629	14,581,942
Net assets:						
Invested in capital assets, net of related debt	1,688,526	2,972,132	6,995,227	7,236,057	8,683,753	10,208,189
Restricted	683,388	(92,755)	-	-	683,388	(92,755)
Unrestricted	3,453,903	3,431,862	14,160,586	13,768,137	17,614,489	17,199,999
Total net assets	\$ 5,825,817	\$ 6,311,239	\$ 21,155,813	\$ 21,004,194	\$ 26,981,630	\$ 27,315,433

Changes in net assets. The Township's total revenues are \$3,866,375. Over 33 percent of the total revenues come from property taxes while only 14 percent come from state shared revenue. Nearly 24 percent come from charges for services, primarily from sewer and water services. In 2005, capital contributions represented 19 percent of the total revenues.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all Township functions, covering a wide range of services, totaled \$3,352,572 in 2005. This represents a 2 percent increase compared to the total cost of \$3,464,647 in 2004. In 2005, almost 49 percent of the Township's costs relate to the provision of utility services. General government and public safety account for 16 and 18 percent of the Township's total costs, respectively.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Program revenues:						
Charges for services	\$ 76,022	\$ 88,293	\$ 914,115	\$ 954,350	\$ 990,137	\$ 1,042,643
Operating grants and contributions	20,324	20,545	-	-	20,324	20,545
Capital grants and contributions	844,249	36,000	165,491	687,244	1,009,740	723,244
General revenues:						
Property taxes	1,183,976	1,289,359	-	-	1,183,976	1,289,359
State shared revenue	520,075	530,985	-	-	520,075	530,985
Interest income	54,809	74,861	590,589	111,894	645,398	186,755
Other	27,002	72,844	15,000	-	42,002	72,844
Total revenues	2,726,457	2,112,887	1,685,195	1,753,488	4,411,652	3,866,375
Expenses:						
Legislative	27,418	29,318	-	-	27,418	29,318
General government	621,781	563,351	-	-	621,781	563,351
Public safety	593,654	636,358	-	-	593,654	636,358
Public works	61,700	69,948	-	-	61,700	69,948
Community and economic development	156,873	247,708	-	-	156,873	247,708
Culture and recreation	82,403	72,882	-	-	82,403	72,882
Interest	-	7,900	-	-	-	7,900
Sewer	-	-	985,223	939,040	985,223	939,040
Water	-	-	778,027	775,767	778,027	775,767
Inspections	-	-	157,568	190,300	157,568	190,300
Total expenses	1,543,829	1,627,465	1,920,818	1,905,107	3,464,647	3,532,572
Increase (decrease) in net assets	\$ 1,182,628	\$ 485,422	\$ (235,623)	\$ (151,619)	\$ 947,005	\$ 333,803

Governmental activities. Governmental revenues exceeded governmental expenses, increasing the Township's net assets by \$485,422.

The cost of all governmental activities this year was \$1,627,465 in comparison to \$1,543,829 in 2004 which represents a 5.4 percent increase. After subtracting the direct charges to those who directly benefited from the programs \$(88,293), operating grants \$(20,545), and capital grants (\$36,000), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,482,627.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities. Business-type activities decreased the Township's net assets by \$151,619. The decrease was primarily the result of the number of existing customers and user rates being insufficient to cover operational costs plus inflation.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,640,094, a decrease of \$722,329 in comparison with the prior year. The decrease occurred primarily because of the acquisition of a facility for the Caledonia Fire Department that cost \$1,324,081. The total fund balances of the governmental funds are unreserved, or available for spending at the Board's discretion.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,302,608, which represents 113 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance decreased by \$224,964 during the fiscal year primarily because of \$207,000 in additional capital outlay to help cover the purchase cost of the fire department facility.

The Emergency Services Fund experienced a decrease in fund balance of \$866,919. The decrease was a result of the facility acquisition described above. Due to the cost of the facility, the Emergency Services Fund has a deficit fund balance in the amount of \$183,531 at year end. The deficit will be eliminated in 2006 when the fund collects its property taxes from the Tax Collection Fund.

Proprietary funds. The Sewer Fund experienced an operating loss of \$268,992 and a net decrease in net assets of \$104,024. Net assets were \$11,357,202 at year end.

The Water Fund experienced an operating loss of \$176,550 and a net decrease in net assets of \$63,453. Net assets were \$9,435,480 at year end.

General Fund budgetary highlights

The Board amended the budgeted expenditures of the General Fund during the year to increase the total expenditures from \$926,693 to \$1,137,117. The primary reason for the increase was an additional \$207,000 in capital outlay to help cover the cost of the Fire Department facility acquisition. Total actual expenditures were \$15,560 more than the amount budgeted. This is primarily due to the creation of a Cable TV authority and the transfer of \$50,391 in designated cable funds out of the general fund which was not anticipated in the budget. We were very slightly over budget in several other categories which was not realized until the end of the year. With the exception of the cable TV transfer, General Fund expenditures as a whole were well within the budgeted amount.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$23,143,189 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, and sewer and water facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$1,564,706.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Major capital asset events during the current fiscal year included the following:

- Acquisition of a new facility for the Caledonia fire Department at a cost of \$1,324,081.
- A street improvement project on Kraft Avenue with costs totaling \$742,520.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$12,935,000, which represents an increase of \$40,000. The Township issued bonds in the amount of \$715,000 and made principal payments on its various bond issues totaling \$675,000.

During the year ended December 31, 2005, the Township increased its debt through the issuance of special assessment bonds, in the amount of \$715,000, to finance a street improvement project.

The Township made all debt service payments in a timely manner during 2005. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities totaling \$21,301 represent accrued compensated absences.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the basic financial statements.

Economic condition and outlook

The Township's economic condition and outlook remain excellent. Total net assets at the end of the fiscal year were \$27,315,433, an increase of 1.2% compared to the prior year. Of this amount \$17,199,999, or 63 percent of the total, was unrestricted.

With respect to governmental funds, the elimination of statutory state revenue sharing is complete and further reductions are not anticipated. Revenues show modest increases as the community continues to grow. At year's end, the unreserved fund balance in the General Fund was \$1,302,608, which represents 113% of actual General Fund expenditures for the year. This decline of \$224,964 was due to the General Fund's participation in the purchase of the new fire station. This facility provides expansion options for other Township facilities as well.

As a result of the cash purchase of the new fire station, the year ended with a deficit in the Emergency Services Fund of \$183,531. This deficit is temporary and will be eliminated with the 2005 tax collection cycle. The Emergency Services budget for 2005 has allowed for this repayment to the General Fund. The Emergency Services millage expires after the 2005 tax collection cycle. Renewal of the millage is critical as General Fund revenues would not be sufficient to maintain the current level of service.

Within the proprietary funds, water and sewer activity remains a focus of concern because of ongoing operating losses. This operational deficit has improved since last year. Customers continue to be added to existing infrastructure and the Township is currently in the process of revising rate structures in an effort to increase profitability. Long term debt is adequately funded with special assessments and continuing connection fees.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Richard Robertson, Township Treasurer
Charter Township of Caledonia
250 Maple Street
Caledonia, MI 49316

Phone: (616) 891-0070

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Caledonia, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, on pages i through vi and 26 through 28, respectively, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Board of Trustees
Charter Township of Caledonia, Michigan
Page 2**

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Caledonia, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter Township of Caledonia, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

March 30, 2006

BASIC FINANCIAL STATEMENTS

Charter Township of Caledonia
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,856,255	\$ 5,551,936	\$ 7,408,191
Investments	484,708	-	484,708
Receivables, net	1,506,326	7,864,344	9,370,670
Prepaid expenses	13,390	-	13,390
Internal balances	<u>174,079</u>	<u>(174,079)</u>	<u>-</u>
Total current assets	<u>4,034,758</u>	<u>13,242,201</u>	<u>17,276,959</u>
Noncurrent assets:			
Receivables, net	635,000	600,400	1,235,400
Bond issuance costs, net	-	241,827	241,827
Capital assets, net of accumulated depreciation	<u>3,687,132</u>	<u>19,456,057</u>	<u>23,143,189</u>
Total noncurrent assets	<u>4,322,132</u>	<u>20,298,284</u>	<u>24,620,416</u>
Total assets	<u>8,356,890</u>	<u>33,540,485</u>	<u>41,897,375</u>
LIABILITIES			
Current liabilities:			
Payables	145,027	316,291	461,318
Deferred revenue	1,164,323	-	1,164,323
Bonds payable	<u>55,000</u>	<u>690,000</u>	<u>745,000</u>
Total current liabilities	<u>1,364,350</u>	<u>1,006,291</u>	<u>2,370,641</u>
Noncurrent liabilities:			
Compensated absences	21,301	-	21,301
Bonds payable	<u>660,000</u>	<u>11,530,000</u>	<u>12,190,000</u>
Total noncurrent liabilities	<u>681,301</u>	<u>11,530,000</u>	<u>12,211,301</u>
Total liabilities	<u>2,045,651</u>	<u>12,536,291</u>	<u>14,581,942</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,972,132	7,236,057	10,208,189
Restricted for:			
General government	46,201	-	46,201
Public safety	(183,531)	-	(183,531)
Debt service	44,575	-	44,575
Unrestricted	<u>3,431,862</u>	<u>13,768,137</u>	<u>17,199,999</u>
Total net assets	<u>\$ 6,311,239</u>	<u>\$ 21,004,194</u>	<u>\$ 27,315,433</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 29,318	\$ -	\$ -	\$ -
General government	563,351	36,903	-	-
Public safety	636,358	-	-	36,000
Public works	69,948	17,235	20,545	-
Community and economic development	247,708	34,155	-	-
Culture and recreation	72,882	-	-	-
Interest on long-term debt	<u>7,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,627,465</u>	<u>88,293</u>	<u>20,545</u>	<u>36,000</u>
Business-type activities:				
Sewer	939,040	422,966	-	358,755
Water	775,767	330,519	-	328,489
Inspections	<u>190,300</u>	<u>200,865</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,905,107</u>	<u>954,350</u>	<u>-</u>	<u>687,244</u>
Totals	<u>\$ 3,532,572</u>	<u>\$ 1,042,643</u>	<u>\$ 20,545</u>	<u>\$ 723,244</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Cable franchise fees
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (29,318)		\$ (29,318)
(526,448)		(526,448)
(600,358)		(600,358)
(32,168)		(32,168)
(213,553)		(213,553)
(72,882)		(72,882)
<u>(7,900)</u>		<u>(7,900)</u>
 <u>(1,482,627)</u>		 <u>(1,482,627)</u>
	\$ (157,319)	(157,319)
	(116,759)	(116,759)
	<u>10,565</u>	<u>10,565</u>
	 <u>(263,513)</u>	 <u>(263,513)</u>
 <u>(1,482,627)</u>	 <u>(263,513)</u>	 <u>(1,746,140)</u>
1,289,359	-	1,289,359
530,985	-	530,985
74,861	111,894	186,755
53,277	-	53,277
<u>19,567</u>	<u>-</u>	<u>19,567</u>
 <u>1,968,049</u>	 <u>111,894</u>	 <u>2,079,943</u>
485,422	(151,619)	333,803
<u>5,825,817</u>	<u>21,155,813</u>	<u>26,981,630</u>
 <u>\$ 6,311,239</u>	 <u>\$ 21,004,194</u>	 <u>\$ 27,315,433</u>

See notes to the financial statements

Charter Township of Caledonia
BALANCE SHEET - governmental funds
December 31, 2005

	<u>Major funds</u>			<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Kraft Avenue</u>	<u>Emergency Services</u>		
ASSETS					
Cash	\$ 205,082	\$ 52,475	\$ 189,947	\$ 1,408,751	\$ 1,856,255
Investments	424,917	-	-	59,791	484,708
Receivables, net	738,070	714,824	688,432	-	2,141,326
Due from other funds	327,962	-	-	-	327,962
Total assets	<u>\$ 1,696,031</u>	<u>\$ 767,299</u>	<u>\$ 878,379</u>	<u>\$ 1,468,542</u>	<u>\$ 4,810,251</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 76,561	\$ -	\$ 60,566	\$ -	\$ 137,127
Due to other funds	-	-	153,883	-	153,883
Deferred revenue	316,862	714,824	847,461	-	1,879,147
Total liabilities	<u>393,423</u>	<u>714,824</u>	<u>1,061,910</u>	<u>-</u>	<u>2,170,157</u>
Fund balances (deficit):					
Unreserved	1,302,608	52,475	(183,531)	-	1,171,552
Unreserved, reported in nonmajor special revenue funds	-	-	-	1,468,542	1,468,542
Total fund balances	<u>1,302,608</u>	<u>52,475</u>	<u>(183,531)</u>	<u>1,468,542</u>	<u>2,640,094</u>
Total liabilities and fund balances	<u>\$ 1,696,031</u>	<u>\$ 767,299</u>	<u>\$ 878,379</u>	<u>\$ 1,468,542</u>	<u>\$ 4,810,251</u>
Total fund balances					\$ 2,640,094
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					3,687,132
Certain assets, such as special assessments receivable, are not available to liquidate liabilities of the current period and, therefore, are deferred in the funds.					728,214
Expense accruals:					
Compensated absences					(21,301)
Interest payable					(7,900)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(715,000)
Net assets of <i>governmental activities</i>					<u>\$ 6,311,239</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended December 31, 2005

	<u>Major funds</u>			<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Kraft Avenue</u>	<u>Emergency Services</u>	<u>governmental funds</u>	<u>governmental funds</u>
REVENUES					
Property taxes	\$ 492,864	\$ -	\$ 796,495	\$ -	\$ 1,289,359
Licenses and permits	53,277	-	-	-	53,277
Federal grant	-	-	36,000	-	36,000
State grants	530,985	-	-	20,545	551,530
Charges for services	40,183	-	-	-	40,183
Interest and rentals	58,351	9,488	11,166	26,731	105,736
Other:					
Special assessments	17,235	79,425	-	-	96,660
Miscellaneous	19,479	-	-	88	19,567
Total revenues	<u>1,212,374</u>	<u>88,913</u>	<u>843,661</u>	<u>47,364</u>	<u>2,192,312</u>
EXPENDITURES					
Legislative	29,318	-	-	-	29,318
General government	547,353	-	-	240	547,593
Public safety	-	-	544,676	-	544,676
Public works	46,621	751,438	-	11,315	809,374
Community and economic development	246,369	-	-	-	246,369
Culture and recreation	65,787	-	-	3,391	69,178
Capital outlay	217,229	-	1,165,904	-	1,383,133
Total expenditures	<u>1,152,677</u>	<u>751,438</u>	<u>1,710,580</u>	<u>14,946</u>	<u>3,629,641</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>59,697</u>	<u>(662,525)</u>	<u>(866,919)</u>	<u>32,418</u>	<u>(1,437,329)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of debt	-	715,000	-	-	715,000
Transfers in	15,339	-	-	300,000	315,339
Transfers out	(300,000)	-	-	(15,339)	(315,339)
Total other financing sources (uses)	<u>(284,661)</u>	<u>715,000</u>	<u>-</u>	<u>284,661</u>	<u>715,000</u>
NET CHANGE IN FUND BALANCES	<u>(224,964)</u>	<u>52,475</u>	<u>(866,919)</u>	<u>317,079</u>	<u>(722,329)</u>
FUND BALANCES - BEGINNING	<u>1,527,572</u>	<u>-</u>	<u>683,388</u>	<u>1,151,463</u>	<u>3,362,423</u>
FUND BALANCES - ENDING	<u>\$ 1,302,608</u>	<u>\$ 52,475</u>	<u>\$ (183,531)</u>	<u>\$ 1,468,542</u>	<u>\$ 2,640,094</u>

See notes to the financial statements

Charter Township of Caledonia

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds (Continued)

Year ended December 31, 2005

Net change in fund balances - total governmental funds	\$ (722,329)
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - assets acquired	2,102,860
Deduct - provision for depreciation	(104,254)

Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets.

Deduct - collections on special assessments receivable	(79,425)
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Proceeds from issuance of long-term debt	(715,000)
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Changes in other assets/liabilities:

Net increase in prepaid expenses	13,390
Net increase in compensated absences	(1,920)
Net increase in interest payable	<u>(7,900)</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 485,422</u>
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See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2005

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
ASSETS				
Current assets:				
Cash	\$ 2,770,615	\$ 2,569,809	\$ 211,512	\$ 5,551,936
Receivables, net	3,619,282	4,245,062	-	7,864,344
Due from other funds	-	6,390	-	6,390
Total current assets	<u>6,389,897</u>	<u>6,821,261</u>	<u>211,512</u>	<u>13,422,670</u>
Noncurrent assets:				
Receivables, net	300,800	299,600	-	600,400
Bond issuance costs, net	147,971	93,856	-	241,827
Capital assets, net of accumulated depreciation	<u>10,817,685</u>	<u>8,638,372</u>	<u>-</u>	<u>19,456,057</u>
Total noncurrent assets	<u>11,266,456</u>	<u>9,031,828</u>	<u>-</u>	<u>20,298,284</u>
Total assets	<u>17,656,353</u>	<u>15,853,089</u>	<u>211,512</u>	<u>33,720,954</u>
LIABILITIES				
Current liabilities:				
Payables	272,355	43,936	-	316,291
Due to other funds	122,883	57,586	-	180,469
Bonds payable	<u>392,000</u>	<u>298,000</u>	<u>-</u>	<u>690,000</u>
Total current liabilities	<u>787,238</u>	<u>399,522</u>	<u>-</u>	<u>1,186,760</u>
Noncurrent liabilities:				
Bonds payable	<u>5,511,913</u>	<u>6,018,087</u>	<u>-</u>	<u>11,530,000</u>
Total liabilities	<u>6,299,151</u>	<u>6,417,609</u>	<u>-</u>	<u>12,716,760</u>
NET ASSETS				
Investment in capital assets, net of related debt	4,913,772	2,322,285	-	7,236,057
Unrestricted	<u>6,443,430</u>	<u>7,113,195</u>	<u>211,512</u>	<u>13,768,137</u>
Total net assets	<u>\$ 11,357,202</u>	<u>\$ 9,435,480</u>	<u>\$ 211,512</u>	<u>\$ 21,004,194</u>

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
proprietary funds**

Year ended December 31, 2005

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
OPERATING REVENUES				
Charges for services:				
Usage fees	\$ 403,322	\$ -	\$ -	\$ 403,322
Metered sales	-	210,944	-	210,944
Licenses and permits	-	-	200,865	200,865
Tower rental	-	62,100	-	62,100
Other	19,644	57,475	-	77,119
Total operating revenues	422,966	330,519	200,865	954,350
OPERATING EXPENSES				
Personnel costs	15,854	15,433	164,482	195,769
Operating supplies	435	56,606	1,087	58,128
Contracted operating and maintenance	353,105	204,162	-	557,267
Professional services	40,367	18,744	917	60,028
Miscellaneous	12,319	16,343	23,814	52,476
Depreciation	256,283	189,619	-	445,902
Amortization	13,595	6,162	-	19,757
Total operating expenses	691,958	507,069	190,300	1,389,327
Operating income (loss)	(268,992)	(176,550)	10,565	(434,977)
NONOPERATING REVENUES (EXPENSES)				
Special assessment interest	223,510	268,489	-	491,999
Connection fees	59,959	60,000	-	119,959
Debt service charges	75,286	-	-	75,286
Interest revenue	53,295	53,306	5,293	111,894
Interest expense	(247,082)	(268,698)	-	(515,780)
Total nonoperating revenues	164,968	113,097	5,293	283,358
CHANGE IN NET ASSETS	(104,024)	(63,453)	15,858	(151,619)
NET ASSETS - BEGINNING	11,461,226	9,498,933	195,654	21,155,813
NET ASSETS - ENDING	\$ 11,357,202	\$ 9,435,480	\$ 211,512	\$ 21,004,194

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF CASH FLOWS -proprietary funds
Year ended December 31, 2005

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 418,091	\$ 327,562	\$ 200,865	\$ 946,518
Payments to vendors and suppliers	(289,461)	(325,889)	(44,737)	(660,087)
Payments to employees	(13,374)	(12,999)	(146,000)	(172,373)
Net cash provided by (used in) operating activities	<u>115,256</u>	<u>(11,326)</u>	<u>10,128</u>	<u>114,058</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due to other funds	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections on assessments receivable	433,223	434,918	-	868,141
Special assessment interest	223,510	268,489	-	491,999
Connection fees	59,959	60,000	-	119,959
Debt service charges	75,286	-	-	75,286
Acquisition of capital assets	(12,002)	-	-	(12,002)
Principal payments on capital debt	(353,750)	(321,250)	-	(675,000)
Interest payments on capital debt	<u>(253,318)</u>	<u>(270,083)</u>	<u>-</u>	<u>(523,401)</u>
Net cash provided by capital and related financing activities	<u>172,908</u>	<u>172,074</u>	<u>-</u>	<u>344,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>53,295</u>	<u>53,306</u>	<u>5,293</u>	<u>111,894</u>
NET INCREASE IN CASH	<u>241,459</u>	<u>214,054</u>	<u>15,421</u>	<u>470,934</u>
CASH - BEGINNING	<u>2,529,156</u>	<u>2,355,755</u>	<u>196,091</u>	<u>5,081,002</u>
CASH - ENDING	<u>\$ 2,770,615</u>	<u>\$ 2,569,809</u>	<u>\$ 211,512</u>	<u>\$ 5,551,936</u>

See notes to the financial statements

Charter Township of Caledonia**STATEMENT OF CASH FLOWS -proprietary funds (Continued)**

Year ended December 31, 2005

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (268,992)	\$ (176,550)	\$ 10,565	\$ (434,977)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	256,283	189,619	-	445,902
Amortization	13,595	6,162	-	19,757
Increase in receivables, net	(4,875)	(2,957)	-	(7,832)
Increase (decrease) in payables	<u>119,245</u>	<u>(27,600)</u>	<u>(437)</u>	<u>91,208</u>
 Net cash provided by (used in) operating activities	 <u>\$ 115,256</u>	 <u>\$ (11,326)</u>	 <u>\$ 10,128</u>	 <u>\$ 114,058</u>

See notes to the financial statements

Charter Township of Caledonia

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

December 31, 2005

ASSETS

Cash	\$ 600,778
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LIABILITIES

Due to other governmental units	\$ 600,778
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See notes to the financial statements

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Caledonia, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Emergency Services Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Kraft Avenue Fund accounts for the financial resources used to finance a street improvement construction project. Revenues are primarily derived from special assessments and interest.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a fiduciary fund, its Tax Collection Fund, which accounts for assets held by the Township as an agent for other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and sewer and water systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 10 years
Vehicles	5 - 20 years
Sewer and water systems	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 43,378	\$ 46,621	\$ 3,243
	Community and economic development	240,381	246,369	5,988
	Culture and recreation	17,136	65,787	48,651
	Transfers out	140,000	300,000	160,000

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ -	\$ -	\$ 200
Deposits	1,856,055	5,551,936	600,778	8,008,769
Investments	484,708	-	-	484,708
	<u>\$ 2,340,963</u>	<u>\$ 5,551,936</u>	<u>\$ 600,778</u>	<u>\$ 8,493,677</u>

Deposits:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits (continued):

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2005, \$7,722,385 of the Township's bank balances of \$8,453,303 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Intergovern- mental</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental activities:					
General Fund	\$ 301,107	\$ 179,529	\$ 257,434	\$ -	\$ 738,070
Kraft Avenue Fund	-	-	-	714,824	714,824
Emergency Services Fund	-	-	688,432	-	688,432
Nonmajor governmental funds	-	-	-	-	-
Total governmental activities	<u>\$ 301,107</u>	<u>\$ 179,529</u>	<u>\$ 945,866</u>	<u>\$ 714,824</u>	<u>\$ 2,141,326</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,000</u>	<u>\$ 635,000</u>
Business-type activities:					
Sewer Fund	\$ 40,889	\$ -	\$ -	\$ 3,879,193	\$ 3,920,082
Water Fund	15,457	-	-	4,529,205	4,544,662
Total business-type activities	<u>\$ 56,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,408,398</u>	<u>\$ 8,464,744</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600,400</u>	<u>\$ 600,400</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 282,712	\$ -	\$ -	\$ 282,712
Capital assets being depreciated:				
Shared road costs	-	742,520	-	742,520
Buildings	557,900	1,324,081	-	1,881,981
Vehicles	1,266,775	-	-	1,266,775
Equipment	194,913	36,259	-	231,172
Subtotal	2,019,588	2,102,860	-	4,122,448
Less accumulated depreciation:				
Shared road costs	-	3,094	-	3,094
Buildings	136,631	8,664	-	145,295
Vehicles	381,923	63,339	-	445,262
Equipment	95,220	29,157	-	124,377
Subtotal	613,774	104,254	-	718,028
Governmental activities capital assets, net	\$ 1,688,526	\$ 1,998,606	\$ -	\$ 3,687,132
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 12,403,200	\$ -	\$ -	\$ 12,403,200
Water system	9,490,147	-	-	9,490,147
Buildings and equipment	301,318	12,002	-	313,320
Subtotal	22,194,665	12,002	-	22,206,667
Less accumulated depreciation:				
Sewer system	1,582,888	246,080	-	1,828,968
Water system	674,290	188,002	-	862,292
Buildings and equipment	47,530	11,820	-	59,350
Subtotal	2,304,708	445,902	-	2,750,610
Business-type activities capital assets, net	\$ 19,889,957	\$ (433,900)	\$ -	\$ 19,456,057

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 22,192
Public safety	77,949
Public works	3,094
Culture and recreation	<u>1,019</u>
Total governmental activities	<u>\$ 104,254</u>

NOTE 6 - LONG-TERM LIABILITIES:

Long-term debt at December 31, 2005, is comprised of the following individual issues:

Governmental activities:	
\$715,000 2005 General Obligation Limited Tax bonds - payable in annual installments ranging from \$55,000 to \$75,000, plus interest at 3.1% to 4.1%; final payment due May 2015	<u>\$ 715,000</u>
Business-type activities:	
\$1,190,000 2001 Sewer system refunding bonds - payable in annual installments ranging from \$65,000 to \$100,000, plus interest at 4.0% to 6.0%; final payment due May 2014	\$ 825,000
\$9,000,000 2001 Public improvement special assessment bonds - payable in annual installments ranging from \$400,000 to \$500,000, plus interest at 3.15% to 6.00%; final payment due November 2020	7,400,000
\$2,650,000 2003 Capital improvement bonds - payable in annual installments ranging from \$75,000 to \$175,000, plus interest at 2.5% to 4.5%; final payment due November 2022	2,475,000
\$1,620,00 2004 Sewer system refunding bonds - payable in annual installments ranging from \$100,000 to \$180,000, plus interest at 2.0% to 4.0%; final payment due November 2015	<u>1,520,000</u>
Total business-type activities	<u>\$ 12,220,000</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2005 General obligation bonds	\$ -	\$ 715,000	\$ -	\$ 715,000	\$ 55,000
Business-type activities:					
2001 Sewer refunding bonds	\$ 900,000	\$ -	\$ (75,000)	\$ 825,000	\$ 75,000
2001 Public improvement bonds	7,800,000	-	(400,000)	7,400,000	400,000
2003 Capital improvement bonds	2,575,000	-	(100,000)	2,475,000	100,000
2004 Sewer refunding bonds	1,620,000	-	(100,000)	1,520,000	115,000
Total business-type activities	\$ 12,895,000	\$ -	\$ (675,000)	\$ 12,220,000	\$ 690,000

At December 31, 2005, debt service requirements were as follows:

<u>Year ended December 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 55,000	\$ 35,666	\$ 690,000	\$ 487,788
2007	70,000	22,953	805,000	464,525
2008	70,000	20,695	815,000	436,125
2009	70,000	18,385	875,000	407,575
2010	75,000	15,900	875,000	376,463
2011 - 2015	375,000	37,294	4,435,000	1,373,363
2016 - 2020	-	-	3,375,000	541,425
2021 - 2025	-	-	350,000	23,450
Totals	\$ 715,000	\$ 150,893	\$ 12,220,000	\$ 4,110,714

All debt is secured by the full faith and credit of the Township.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

Payables as of year end for the Township's individual major funds and nonmajor funds, in the aggregate, are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 61,353	\$ 15,208	\$ -	\$ 76,561
Kraft Avenue	-	-	7,900	7,900
Emergency Services	27,587	32,979	-	60,566
Nonmajor funds	-	-	-	-
Total governmental activities	<u>\$ 88,940</u>	<u>\$ 48,187</u>	<u>\$ 7,900</u>	<u>\$ 145,027</u>
Business-type activities:				
Sewer	\$ 233,651	\$ -	\$ 38,704	\$ 272,355
Water	940	-	42,996	43,936
Nonmajor fund	-	-	-	-
Total business-type activities	<u>\$ 234,591</u>	<u>\$ -</u>	<u>\$ 81,700</u>	<u>\$ 316,291</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2005, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Sewer	\$ 116,493
		Water	<u>57,586</u>
General	\$ 174,079		174,079
General	153,883	Emergency Services	153,883
Water	<u>6,390</u>	Sewer	<u>6,390</u>
Totals	<u>\$ 334,352</u>	Totals	<u>\$ 334,352</u>

The amounts payable to the General Fund from the sewer and water funds represent advances used to finance sewer operating costs, in the amount of \$82,526, and capital acquisitions, in the amount of \$91,553. The Emergency Services Fund owes the General Fund for an advance used to acquire a new facility in 2005. The balances are scheduled to be collected in the subsequent year.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

The interfund transfers for the year ended December 31, 2005, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Nonmajor governmental funds	\$ 300,000	General	\$ 300,000
General	<u>15,339</u>	Nonmajor governmental fund	<u>15,339</u>
Totals	<u>\$ 315,339</u>	General	<u>\$ 315,339</u>

These transfers moved unrestricted revenues, collected in the General Fund, to other funds for various purposes. The transfers to the nonmajor governmental funds are intended to finance future costs associated with the construction of a library building and park and road improvements. The transfer to the General Fund effectively closed the Cable Television Fund.

NOTE 9 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. The Township's unavailable revenues consist of special assessments that are being used to finance a road improvement project.

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The Township's unearned revenues consist of property taxes levied December 1, 2005, that will finance expenditures of the following year.

At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
General	\$ 316,862	\$ -	\$ 316,862
Emergency Services	847,461	-	847,461
Kraft Avenue	<u>-</u>	<u>714,824</u>	<u>714,824</u>
Totals	<u>\$ 1,164,323</u>	<u>\$ 714,824</u>	<u>\$ 1,879,147</u>

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's compensation to the plan and matches any employee contributions up to 5% of the employee's compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$41,422 for the year ended December 31, 2005.

NOTE 12 - CONTINGENCY:

The Township is contingently liable for payback payments to the developer of the Gordon Grove Special Assessment District. In accordance with the development agreement, the Township must make payback payments when additional customers connect to the utility systems. At December 31, 2005, the Township is contingently liable for payments to the developer of approximately \$487,425. This agreement terminates on July 1, 2028.

NOTE 13 - ACCUMULATED DEFICIT:

The Township has an accumulated deficit fund balance in the Emergency Services Fund, a special revenue fund, in the amount of \$183,531. The deficit was created with the acquisition of a new facility for the Caledonia Fire Department. The deficit will be eliminated in 2006 when the fund recognizes its 2005 property tax levy.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Caledonia**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 462,216	\$ 462,216	\$ 492,864	\$ 30,648
Licenses and permits	-	-	53,277	53,277
State grants	525,000	525,000	530,985	5,985
Charges for services	44,500	44,500	40,183	(4,317)
Interest and rentals	21,200	21,200	58,351	37,151
Other:				
Special assessments	17,236	17,236	17,235	(1)
Miscellaneous	13,461	13,461	19,479	6,018
Total revenues	<u>1,083,613</u>	<u>1,083,613</u>	<u>1,212,374</u>	<u>128,761</u>
EXPENDITURES				
Legislative	<u>37,557</u>	<u>37,557</u>	<u>29,318</u>	<u>8,239</u>
General government:				
Supervisor	33,350	33,350	34,015	(665)
Elections	8,333	8,733	8,761	(28)
Assessor	86,570	86,570	75,322	11,248
Legal fees	77,000	45,000	46,015	(1,015)
Clerk	72,193	72,193	67,846	4,347
Board of review	1,742	1,742	1,280	462
Treasurer	59,094	57,094	51,414	5,680
Building and grounds	41,429	38,629	36,443	2,186
Cemetery	34,055	31,055	28,978	2,077
General administration	152,375	197,199	197,279	(80)
Total general government	<u>566,141</u>	<u>571,565</u>	<u>547,353</u>	<u>24,212</u>
Public works:				
Street lighting	20,000	20,000	18,823	1,177
Drains	25,000	15,000	12,958	2,042
Weed control	8,378	8,378	14,840	(6,462)
Total public works	<u>53,378</u>	<u>43,378</u>	<u>46,621</u>	<u>(3,243)</u>
Community and economic development - planning and zoning	<u>230,381</u>	<u>240,381</u>	<u>246,369</u>	<u>(5,988)</u>

Charter Township of Caledonia**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation:				
Cable television	\$ -	\$ -	\$ 50,391	\$ (50,391)
Library	<u>19,136</u>	<u>17,136</u>	<u>15,396</u>	<u>1,740</u>
Total culture and recreation	<u>19,136</u>	<u>17,136</u>	<u>65,787</u>	<u>(48,651)</u>
Capital outlay	<u>20,100</u>	<u>227,100</u>	<u>217,229</u>	<u>9,871</u>
Total expenditures	<u>926,693</u>	<u>1,137,117</u>	<u>1,152,677</u>	<u>(15,560)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>156,920</u>	<u>(53,504)</u>	<u>59,697</u>	<u>113,201</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	15,339	15,339
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(300,000)</u>	<u>(160,000)</u>
Total other financing uses	<u>(140,000)</u>	<u>(140,000)</u>	<u>(284,661)</u>	<u>(144,661)</u>
NET CHANGE IN FUND BALANCES	16,920	(193,504)	(224,964)	(31,460)
FUND BALANCES - BEGINNING	<u>1,527,572</u>	<u>1,527,572</u>	<u>1,527,572</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,544,492</u>	<u>\$ 1,334,068</u>	<u>\$ 1,302,608</u>	<u>\$ (31,460)</u>

Charter Township of Caledonia**BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 789,729	\$ 789,729	\$ 796,495	\$ 6,766
Federal grant	-	36,000	36,000	-
Interest	<u>14,000</u>	<u>14,000</u>	<u>11,166</u>	<u>(2,834)</u>
Total revenues	<u>803,729</u>	<u>839,729</u>	<u>843,661</u>	<u>3,932</u>
EXPENDITURES				
Public safety:				
Fire protection	312,965	312,965	326,860	(13,895)
Police protection	240,000	240,000	217,816	22,184
Capital outlay	<u>184,500</u>	<u>1,184,500</u>	<u>1,165,904</u>	<u>18,596</u>
Total expenditures	<u>737,465</u>	<u>1,737,465</u>	<u>1,710,580</u>	<u>26,885</u>
NET CHANGE IN FUND BALANCES	66,264	(897,736)	(866,919)	30,817
FUND BALANCES - BEGINNING	<u>683,388</u>	<u>683,388</u>	<u>683,388</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 749,652</u>	<u>\$ (214,348)</u>	<u>\$ (183,531)</u>	<u>\$ 30,817</u>

SUPPLEMENTARY INFORMATION

Charter Township of Caledonia
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2005

	Special revenue funds		
	<u>Street Improvement</u>	<u>Parks and Recreation</u>	<u>Cable Television</u>
ASSETS			
Cash	\$ 354,617	\$ 274,523	\$ -
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 354,617</u>	<u>\$ 274,523</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ -	\$ -
Fund balances - unreserved, undesignated	<u>354,617</u>	<u>274,523</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 354,617</u>	<u>\$ 274,523</u>	<u>\$ -</u>

<i>Special revenue funds</i>				<i>Total nonmajor governmental funds</i>
<i>Public Improvement</i>	<i>Budget Stabilization</i>	<i>Library</i>	<i>Cemetery</i>	
\$ 86,414	\$ 160,000	\$ 486,996	\$ 46,201	\$ 1,408,751
-	-	59,791	-	59,791
<u>\$ 86,414</u>	<u>\$ 160,000</u>	<u>\$ 546,787</u>	<u>\$ 46,201</u>	<u>\$ 1,468,542</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>86,414</u>	<u>160,000</u>	<u>546,787</u>	<u>46,201</u>	<u>1,468,542</u>
<u>\$ 86,414</u>	<u>\$ 160,000</u>	<u>\$ 546,787</u>	<u>\$ 46,201</u>	<u>\$ 1,468,542</u>

Charter Township of Caledonia**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2005

	Special revenue funds		
	<u>Street Improvement</u>	<u>Parks and Recreation</u>	<u>Cable Television</u>
REVENUES			
State grant	\$ 20,545	\$ -	\$ -
Interest	7,946	6,538	9
Other	-	-	-
Total revenues	<u>28,491</u>	<u>6,538</u>	<u>9</u>
EXPENDITURES			
General government	-	-	-
Public works	11,315	-	-
Culture and recreation	-	-	755
Total expenditures	<u>11,315</u>	<u>-</u>	<u>755</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,176</u>	<u>6,538</u>	<u>(746)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in - General Fund	65,000	25,000	-
Transfer out - General Fund	-	-	(15,339)
Total other financing sources (uses)	<u>65,000</u>	<u>25,000</u>	<u>(15,339)</u>
NET CHANGE IN FUND BALANCES	82,176	31,538	(16,085)
FUND BALANCES - BEGINNING	<u>272,441</u>	<u>242,985</u>	<u>16,085</u>
FUND BALANCES - ENDING	<u>\$ 354,617</u>	<u>\$ 274,523</u>	<u>\$ -</u>

<i>Special revenue funds</i>				<i>Total nonmajor governmental funds</i>
<i>Public Improvement</i>	<i>Budget Stabilization</i>	<i>Library</i>	<i>Cemetery</i>	
\$ -	\$ -	\$ -	\$ -	\$ 20,545
2,066	-	9,867	305	26,731
-	-	88	-	88
2,066	-	9,955	305	47,364
-	-	-	240	240
-	-	-	-	11,315
-	-	2,636	-	3,391
-	-	2,636	240	14,946
2,066	-	7,319	65	32,418
-	160,000	50,000	-	300,000
-	-	-	-	(15,339)
-	160,000	50,000	-	284,661
2,066	160,000	57,319	65	317,079
84,348	-	489,468	46,136	1,151,463
<u>\$ 86,414</u>	<u>\$ 160,000</u>	<u>\$ 546,787</u>	<u>\$ 46,201</u>	<u>\$ 1,468,542</u>